IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-1192

DONALD GOLDSTEIN, RUTH KOVEN and DONALD KOVEN,

Petitioners,

—against—

STATE OF CALIFORNIA,

Respondent.

ON WRIT OF CERTIORARI TO THE APPELLATE DEPARTMENT OF THE SUPERIOR COURT OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

MOTION OF RECORDING INDUSTRY ASSOCIATION OF AMERICA, INC. FOR LEAVE TO FILE BRIEF *AMICUS CURIAE*

The Recording Industry Association of America, Inc. ("RIAA") hereby respectfully moves for leave to file the attached brief *amicus curiae*. Counsel for respondent has consented to the filing of this brief, but counsel for petitioners has declined to consent.*

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* The letter from counsel for respondent giving consent to the filing of this brief is on file with the Clerk of this Court. The letter from counsel for petitioners also is on file.

The Interest of the *Amicus Curiae*

RIAA is a non-profit New York corporation, whose membership consists of sound recording companies which together account for close to 90% of all authorized phonograph records and prerecorded tapes manufactured and sold in the United States.* Among RIAA's basic purposes is the representation of its membership before legislative, regulatory and judicial bodies with respect to federal, state and local legislation and regulations affecting the entire sound recording industry.

RIAA has urged the adoption of state legislation designed to eliminate the manufacture and sale of unauthorized duplications of sound recordings, including Section 653h of California's Penal Code which is under attack in the instant case. RIAA also has been active in representing the sound recording industry before the Congress of the United States. The testimony and detailed information provided to Congress by RIAA were instrumental in the passage of Public Law No. 92-140, 85 Stat. 391 (October 15, 1971), which provides federal statutory copyright protection for sound recordings made after February 15, 1972. RIAA's status as an appropriate representative of the sound recording industry was specifically recognized by the granting of its motion to intervene as a defendant in the case of *Shaab* v. *Kleindienst*, 174 U.S.P.Q. 197 (D.D.C. 1972),** which upheld the constitutionality of Public Law No. 92-140.

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* The Membership List of RIAA is set forth as Appendix A to the Brief annexed hereto.

** The report of this case in the advance sheets contains an error in the name of RIAA and also identifies it incorrectly as an *amicus curiae* instead of an intervenor-defendant.

Thus, RIAA is intimately acquainted with the legislative history and purposes of the state statute which petitioners assert is incompatible with federal copyright policy, and also of the federal act which petitioners claim has a pre-emptive effect. It also has developed an extensive knowledge of the economics of the industry and the working operations of the pirates.

While the respondent has a specific interest in upholding the validity of the statute under which petitioners pleaded *nolo contendere,* RIAA represents the broader interests of the sound recording industry. These broader interests are intimately involved in this case, because a decision that Section 653h of the California Penal Code is unconstitutional would, by implication, invalidate all state law in this area, both civil and criminal. The result would be to permit the unrestricted duplication of the vast majority of sound recordings now in existence. These sound recordings, which constitute the very life blood of RIAA's members, have been protected in an almost unbroken line of decisions for well over half a century. Such a decision would have a direct and devastating impact upon the members of RIAA, as well as on many other individuals and enterprises connected with the production and sale of sound recordings.

Accordingly, because of its extensive knowledge of and direct interest in the issue presented for decision in this case, RIAA requests permission to file the attached brief *amicus curiae* in support of respondent herein.

Respectfully submitted,

SIDNEY A. DIAMOND
425 Park Avenue
New York, New York 10022
(212) PL 9-8400



ERNEST S. MEYERS
74 Trinity Place
New York, New York 10006
(212) HA 2-0081
Counsel for Recording Industry Association of America, Inc., Amicus Curiae

Dated: New York, New York
September 20, 1972

To:

ARTHUR LEEDS
PAUL T. LOCKE
DANIEL M. GOTTLIEB
9229 Sunset Boulevard
Suite 306
Los Angeles, California 90069
(213) 278-3232
Counsel for Petitioners

ROGER ARNEBERGH
DAVID M. SCHACTER
STEVEN A. SCHWABER
205 South Broadway
Suite 500
Los Angeles, California 90012
(213) 485-5483
Counsel for Respondent

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SIDNEY A. DIAMOND
425 Park Avenue
New York, New York 10022
(212) PL 9-8400

ERNEST S. MEYERS
74 Trinity Place
New York, New York 10006
(212) HA 2-0081

Counsel for Recording Industry Association of America, Inc., Amicus Curiae

KAYE, SCHOLER, FIERMAN, HAYS & HANDLER
David Goldberg
William M. Borchard
Ronald S. Kadden

LAPORTE & MEYERS
Of Counsel

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BRIEF OF RECORDING INDUSTRY ASSOCIATION OF AMERICA, INC., *AMICUS CURIAE*

A. THE INTEREST OF THE *AMICUS CURIAE*

The interest of the *amicus curiae* is set forth in the motion to which this brief is appended.

B. SUMMARY OF ARGUMENT

The piracy of sound recordings is an anti-competitive activity that would virtually destroy the recording industry if this Court were to legalize it by reversing the judgment below. That such pernicious conduct cannot be condoned

is the substantially unanimous view of numerous judges in many jurisdictions, of various state legislatures, of the Congress and Executive branch of the United States, and of the international community.

Sound recordings have been protected under the "misappropriation" unfair competition doctrine enunciated in the *INS* case. This doctrine evolved on a case-by-case basis to deal with a variety of blatantly inequitable practices, such as record and tape piracy. The *Sears* and *Compco* decisions relied on by petitioners did not even mention *INS,* and we cannot believe that the Court could have intended to overrule all misappropriation law *sub silentio.*

In addition, sound recordings are unpublished works which are protectable under common law copyright. *Sears* and *Compco* cannot be read so as to declare that state protection of unpublished works is constitutionally preempted because this interpretation is contrary to accepted canons of construction. Nor could *Sears* and *Compco* have decreed statutory preemption in view of the explicit Congressional recognition of state power in Section 2 of the Copyright Act of 1909, as later confirmed in Section 3 of the sound recording amendment to the Copyright Act, effective February 15, 1972. Petitioners were convicted prior to that date for acts committed much earlier, and the application of the California statute to recordings made after the effective date of the amendment is not an issue here.

In any event, *Sears* and *Compco* are distinguishable in that they dealt with patent questions which differ significantly from copyright questions; they dealt with the *imitation* of physical objects as distinguished from *exact*

electronic *duplication* of the performances comprising sound recordings; and they dealt with plaintiffs who had chosen to rely on a federal statutory form of protection to which they subsequently were held not to be entitled, while there was no possibility of federal statutory protection for the sound recordings duplicated by petitioners in this case.

Moreover, there is a legitimate state interest in protecting sound recordings from predatory activity which is equivalent to larceny. Therefore, the validity of this state criminal statute should be upheld and the judgment below should be affirmed.

C. FACTUAL BACKGROUND

I.

The Sound Recording Industry

The sound recording industry of the United States "has assumed a major role in the world of music, entertainment, and communication. Its product has an almost universal audience . . . ."[1]

Retail sales of recordings rose from $48,000,000 in 1940 to almost $200,000,000 in 1950, $600,000,000 in 1960 and approximately $1,700,000,000 in 1970.[2] An increasingly large proportion of these total sales is attributable to prerecorded tapes—mostly in the form of tape cartridges

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[1] C. Corry, The Phonograph Record Industry; An Economic Study, Feb. 9, 1965, at 1 (Library of Congress Legislative Reference Service) [hereinafter cited as Corry].

[2] S. Shemel and M. W. Krasilovsky, This Business of Music xvii (Rev. ed. 1971) [hereinafter cited as Shemel].

or tape cassettes.[3] In 1966 sales of prerecorded tapes accounted for only approximately $40,000,000 at retail; by 1970 sales of prerecorded tapes had increased to $428,000,000, or 26% of the industry's total sales;[4] and by 1971 sales of prerecorded tapes accounted for approximately $507,000,000.[5]

Not only is the market vast, but access to it is relatively easy because recording studios and manufacturing facilities are available on a contract basis. New recording companies accordingly are constantly making their way into the industry. In 1965 it was reported that the market share of the five largest recording companies had been declining steadily since the early 1950's, a decline attributed in part to "the ready availability of processing facilities to small companies."[6] In 1970, hundreds of record companies were in operation in the United States.[7]

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[3] For definitions of these and other terms commonly used in the sound recording industry, see the Glossary set forth as Appendix B hereto.

[4] SHEMEL, *supra*, at xviii; Statement of Stanley M. Gortikov on Behalf of RIAA, *Prohibiting Piracy of Sound Recordings, Hearings on S. 646 and H.R. 6927 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 92d Cong., 1st Sess. [hereinafter cited as *Piracy Hearings*], ser. 7, at 25 (1971).

[5] BILLBOARD, Jan. 1, 1972, at 29.

[6] Statement of John Desmond Glover, Professor of Business Administration, Harvard University Graduate School of Business Administration, on Behalf of RIAA, *Copyright Law Revision, Hearings on H.R. 4347, H.R. 5680, H.R. 6831, and H.R. 6835 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 89th Cong., 1st Sess. [hereinafter cited as *House Revision Hearings*], ser. 8, pt. 2, at 913-14 (1965). Glover's study is the most recent industry-wide economic study available. *See also* Corry, *supra*, at 48.

[7] Tape Indus. Ass'n of America v. Younger, 316 F.Supp. 340, 343 (C.D. Cal. 1970), *appeal dismissed*, 401 U.S. 902 (1971), *appeal docketed*, No. 26-628, 9th Cir., Oct. 22, 1970 [hereinafter cited as TIAA v. Younger].

Many producers entering the market with a minimal investment have been able to produce "hit" recordings which provide the basis for growth into a major record company. A well-known example is A&M Records, which started in 1962 with an investment of $200 to make one recording that became a great commercial success and supplied the capital for expansion. A&M Records went on to become an established member of the industry.[8]

The consuming public has benefited from the large number of recording companies. Every year approximately 6,000 singles and 4,000 long-playing records are released in the United States.[9] Furthermore, because of special provisions in the Copyright Act, everyone—large and small producer alike—has the right to use the musical compositions (as distinguished from the identical performances) recorded by any competitor.[10] As a result, the public often is given a choice between several versions of the same song.[11]

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[8] H. Boye, How to Make Money Selling the Songs You Write 22-3 (1970). A&M Records is the very company whose recordings were the subject of Counts I—X of the Misdemeanor Complaint against petitioners. Appendix to Brief of Petitioners at 15-23.

[9] Shemel, *supra*, at xix—xx; Billboard International Buyer's Guide 1971-72, Sept. 18, 1971, at 8.

[10] Copyright Act §1(e), 17 U.S.C. §1(e). Whenever the copyright owner of a musical composition permits it to be recorded, anyone thereafter may make his own independent original recording of the composition upon payment of a statutory royalty to the copyright proprietor. *See* Diamond, *Copyright Problems of the Phonograph Record Industry*, 15 Vand. L. Rev. 419, 420-29 (1962).

[11] Between 1953 and 1964, 62 domestic record companies made at least 207 different releases of the song entitled "I Believe." Several companies released a number of different recordings of the same composition by different artists and musical groups. Statement of Glover, *supra, House Revision Hearings*, ser. 8, pt. 2, at 785 (1965).

"Although the industry is easy to enter and a newcomer may make fantastic profits through a record hit, it is also a highly competitive and risky business."[12] Competition within the industry and from other sources of entertainment led to a continuous decrease from 1909 to 1963 in the average price paid by consumers for sound recordings.[13]

Intense competition and the risks inherent in a business appealing largely to the popular taste have put constant pressure on profits. In 1964, only 300 of the approximately 3,000 individuals and companies who had phonograph record labor contracts with the American Federation of Musicians reported a profitable year.[14] In 1965, the net profit of the industry, after taxes, was calculated at 1.7 percent of net sales.[15]

It was estimated in 1965 that 60% to 70% of all long-playing albums lost money.[16] More recent industry estimates indicate that as many as nine out of ten albums

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[12] Corry, *supra*, at 247; *see also* Statement of Robert R. Nathan on Behalf of Music Publishers Protective Association, Inc., *House Revision Hearings*, ser. 8, pt. 3, at 1740 (1965).

[13] Statement of Clive J. Davis, Vice President and General Manager of CBS Records, *Copyright Law Revision, Hearings on S. 597 Before the Subcomm. on Patents, Trademarks, and Copyrights of the Senate Comm. on the Judiciary*, 90th Cong., 1st Sess. [hereinafter cited as *Senate Revision Hearings*], pt. 2, at 516 (1967). *See also* Statement of Glover, *supra, House Revision Hearings*, ser. 8, pt. 2, at 822-823 (1965).

[14] Statement of Alan W. Livingston, President of Capitol Records, Inc., *Senate Revision Hearings*, pt. 2, at 495 (1967).

[15] Statement of Glover, *supra, House Revision Hearings*, ser. 8, pt. 2, at 801 (1965).

[16] *Id.* at 797-799.

currently lose money.[17] "It is the small percentage of hits that pays the tab for all." [18] In the field of classical music, the number of successful recordings is even smaller than one in ten. Yet, established recording companies continue to produce classical records, even though they must be subsidized from other revenues.[19]

The increase in the number of unprofitable recordings is attributable in part to increased production costs.[20] Another reason obviously has been the increase in the parasitic practice of record and tape piracy.[21]

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[17] Statement of Gortikov, *supra, Piracy Hearings,* ser. 7, at 25 (1971); Statement of Hon. Richard H. Fulton, Congressman from Tennessee, *Piracy Hearings,* ser. 7, at 6 (1971).

[18] Statement of Isabelle Marks, Assistant Secretary of Decca Records, a division of MCA, Inc., *Senate Revision Hearings,* pt. 2, at 527 (1967).

[19] Statement of Davis, *supra, Senate Revision Hearings,* pt. 2, at 516-517 (1967).

[20] For a more complete discussion of production costs, see Section C.II entitled "The Production of Sound Recordings", *infra.* More sophisticated recording techniques and increasingly expensive equipment and technicians are one component of this increased expense. Another well-known component is the ever-growing expense of recording artists. An often overlooked factor is the increased cost of musicians who provide musical accompaniment. As of 1963, according to Corry (at 211), the minimum wage rate for American Federation of Musicians members was $56 for a 3-hour recording session. As of October 1, 1970 this figure had jumped to $90. SHEMEL, *supra,* at 53.

[21] *See* VARIETY, May 10, 1972, at 71. "Piracy" has become the term normally used by the courts and the public to describe the type of conduct for which petitioners were convicted. *See* TIAA v. Younger, *supra,* at 351: "Plaintiffs in this action are known in the record industry as 'tape pirates' and rightly so, for to the best of our knowledge all other courts that have had occasion to consider the conduct of such 'tape pirates' have sanctioned state limitations upon their piratical activities." *See* cases cited in footnotes 51 and 52, *infra.*

II.

The Production of Sound Recordings

The production of an original sound recording is an intricate and expensive process. Typically, it begins with the selection of several musical compositions determined to be suitable for performance by a particular vocalist. Special instrumental arrangements of these compositions are written and musicians are engaged to perform the orchestral accompaniment. Numerous rehearsals take place in the recording studio. The placement of microphones is critical and hours of experimentation may be required to achieve the desired tonal balance. During the recording process itself, adjustments constantly are made in the control room where the sounds of the performance are converted electronically into impulses on magnetic tape—sometimes on 16 or more separate tracks. The results of a successful "take" must then be edited into a master tape, and further electronic and mechanical processing are required before a finished disc record or prerecorded tape can be manufactured in quantity for sale to the public.[22]

In addition to the obvious costs involved in the use of skilled personnel, studio facilities and manufacturing plants, there are other expenses peculiar to the recording industry. Featured artists receive royalties based on the number of records sold. Other performers are paid for their services at rates not less than those fixed in union

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[22] D. MURRAY, THE WORLD OF SOUND RECORDING 44-6 (1965); Statement of Livingston, *supra, Senate Revision Hearings*, pt. 2, at 494 (1967); Diamond and Adler, *Proposed Copyright Revision and Phonograph Records*, 11 AIR L. REV. 29, 47 (1940).

contracts, and recording companies also are required by contract to make continuing royalty payments to trustees for the benefit of performing artists. Finally, when copyrighted music is used (which is the normal situation), the recording company must pay royalties to the copyright proprietor for every record sold.[23]

Even though the initial investment to produce a recording for a single can be small, the cost of producing a recording for a long-playing album with an established artist can be staggering. Pre-release costs (*i.e.*, prior to any manufacturing or advertising expense) run from a minimum of $50,000 or $55,000 to $75,000 or $80,000, according to various informed estimates.[24] The total expenditure involved at the point where manufacture, distribution and promotion have been undertaken is from $180,000 to $200,000.[25] And the continuing royalty payments outlined above must be paid even though total sales may be insufficient to recoup the recording company's investment.

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[23] CBS, Inc. v. Spies, 167 U.S.P.Q. 492, 493 (Ill. Cir. Ct. 1970); Comment, *Performers' Rights and Copyright: The Protection of Sound Recordings from Modern Pirates*, 59 CALIF. L. REV. 548, 562 (1971).

[24] Capitol Records, Inc. v. Spies, 130 Ill. App. 2d 429, 264 N.E.2d 874, 875 (1970); Statement of Gortikov, *supra, Piracy Hearings*, ser. 7, at 26-8 (1971); TIAA v. Younger, *supra*, at 344.

[25] Statement of Gortikov, *supra, Piracy Hearings*, ser. 7, at 26 (1971).

III.

The Operation of Record and Tape Pirates

Record and tape piracy has grown at an alarming rate in recent years due to advancing technology. However, the activity in which petitioners and others like them are engaged has an ancient if not honorable history. In 1919, when player pianos were in vogue, the Federal Trade Commission issued a cease and desist order against the unauthorized duplication of perforated paper music rolls, based on the ultimate finding that:

> "the effect of the practice on the part of the respondent in making said duplicated or copied rolls from the original rolls of competing manufacturers and the sale of the same in interstate commerce in competition with competing manufacturers or wholesalers or retailers of the products of competing manufacturers is to secure to the respondent an undue advantage over competitors by appropriating the results of competitors' ingenuity, labor, and expense, and thus avoiding the cost of producing the aforesaid master rolls." [26]

The techniques of modern-day pirates are simple and inexpensive:

> "[They] purchase on the open market long playing disc phonograph records which have been manufactured and sold through the usual commercial channels by record companies. Such disc phonograph records are generally referred to as albums and they usually contain 10 to 12 performances of one artist or group of artists. . . . After purchasing an album, [they] make a tape recording of the exact sounds recorded on the

[26] FTC v. Orient Music Roll Co., 2 F.T.C. 176, 179 (1919).

album. The tape is made by playing the album on a record player connected to a tape recorder which turns out a tape. When this master tape is finished, it is played on a machine known as a 'tape playback deck'. The 'tape playback deck' is connected to machines known as 'tape slaves' which in turn make additional tape recordings of the sound which have been transferred from the record album to the master tape. A large number of 'tape slaves' may be connected to one 'tape playback deck' so that a correspondingly large number of tape recordings can be made at one time. After the tapes have been made by use of the 'tape playback deck' and the 'tape slaves', each of the new tapes is placed on a hub. Each hub is placed into a plastic cartridge, and the ends of the tape are spliced together so that it forms a continuous 'loop' in the cartridge. The cartridge is sealed, tested, packaged, and labeled. . . . *Other than the small sums required to make and distribute their tapes, [they] do not pay any other expenses.*" [27]

With the increased popularity of tape cartridges and cassettes, would-be pirates need not invest in the costly metal presses and other equipment required to produce disc phonograph records. All that is needed is the relatively inexpensive machinery to produce tapes.[28] This has

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[27] TIAA v. Younger, *supra*, at 342-3 (emphasis added). The specific method of operation used by petitioners is summarized in the Affidavit in Support of and Petition for Search Warrant. Appendix to Brief of Petitioners, at 41-2.

[28] "Illegally duplicating tapes turned out to be much simpler than pirating discs. The necessary equipment was less bulky and far quieter than the large presses needed to stamp out discs; it could be set up in a garage, a basement or the back room of a shop." Livingstone, *Piracy in the Record Industry*, STEREO REVIEW, Feb. 1970, at 63. This compactness and quietness are important to the illegal operations, which are generally clandestine and highly mobile. For descriptions of pirate enterprises utilizing such devices

made piracy even more profitable and easy to undertake, and has further underscored the fact that pirates "circumvent a great portion of the costs of engaging in the recording business." [29]

Indeed, compared to the costs of the producer of the original recording, the pirates have virtually no expense, and their profits reflect this fact. "The unauthorized recordings are generally sold by the manufacturers at a profit of at least 200% . . . ." [30] Naturally, the recording industry cannot match the pirates' costs: "The pirate can go into business for as little as $500. Yet, we can't even take one artist into one studio for one hour for $500." [31] As a result, the price of the pirated article typically is far below that of the original.

> "Illegally duplicated material is being supplied to retailers at a price sometimes as low as $2.00, which is about half the cost to the wholesaler of the legitimate product. The reasons for this are clear—minimal investment by the pirate as against significant costs to the legitimate manufacturing company which pays the

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as armed guards, dummy names, telephone answering services which do not know the identity of their clients, post office boxes and other such devices, see Statement of Gortikov, *supra, Piracy Hearings,* ser. 7, at 26 (1971); Statement of Robert C. Osterberg on Behalf of The Harry Fox Agency, Inc., *Piracy Hearings,* ser. 7, at 64 (1971); *see also* Duchess Music Corp. v. Stern, 331 F.Supp. 127, 128 (D. Ariz. 1971), *rev'd,* 458 F.2d 1035 (9th Cir. 1972).

[29] Liberty/UA, Inc. v. Eastern Tape Corp., 11 N. C. App. 20, 21, 180 S.E. 2d 414, 416, *appeal dismissed,* 278 N.C. 702, 181 S.E. 2d 600 (1971).

[30] Statement of Osterberg, *supra, Piracy Hearings,* ser. 7, at 64 (1971).

[31] Statement of Gortikov, *supra, Piracy Hearings,* ser. 7, at 25 (1971).

performers, musicians' expenses, costs of promotion and the like. As a result, pirated merchandise can be sold, as, for example, in the case of a single tape cartridge, at retail for two or more dollars less than the legitimate retailer must obtain for his merchandise." [32]

The avoidance of production costs and the resulting profits obtained by pirates is only part of the story. Pirates not only circumvent costs; they eliminate risks because "the illegal duplicator reproduces only the hit recordings so that he severely injures the sales of those products which must make up for the substantial investments made by the legitimate record companies in records which prove unsuccessful." [33] Some pirates have sought to justify their activities as a service to the public because they make available a collection of hit recordings by various different artists at a bargain price. This argument is specious because the alleged "right" to duplicate sound recordings for which all pirates contend is not conditioned on a particular type of end product. Either the "right" exists or it does not, irrespective of the form of the reproduction. In any event, the collection of hit recordings and the bargain price become possible only because the pirates avoid the costs and risks incurred by the makers of the original recordings. Any stolen product, for which the basic costs are not paid, can be offered to consumers at a bargain price whether it is a pirated recording or a stolen television set.

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[32] Statement of Jack Grossman, President of the National Association of Record Merchandisers, Inc., *Piracy Hearings*, ser. 7, at 47 (1971).

[33] *Id.* *See also* Statement of Gortikov, *supra*, *Piracy Hearings*, ser. 7, at 25 (1971).

The minimal investment, exorbitant profits, and avoidance of risks have caused piracy to grow to alarming proportions in recent years. In 1960, the annual sale of pirated sound recordings was estimated at $20,000,000.[34] In 1968, the year in which California passed the anti-piracy statute under which petitioners were convicted, the figure was estimated at $30,000,000.[35] In 1971, the figure was put at $100,000,000.[36] Current estimates place the sale of pirated recordings at $150,000,000 a year.[37] Recording companies producing prerecorded tapes have been particularly hard-hit; it is estimated that one of every four tapes produced is pirated product.[38]

The victims of piracy are not limited to producers of original recordings. The pirate does not pay royalties to artists, to the trustees of performers' funds or, with rare exceptions, to music copyright owners. Furthermore, cities, states and the federal government all lose revenues because pirates, again with rare exceptions, do not pay

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[34] Statement of Hon. Emanuel Celler, Chairman, House Judiciary Comm., *Piracy Hearings,* ser. 7, at 4 (1971).

[35] Statement of Henry Brief, Executive Director, RIAA, Before the Criminal Procedures Committee, California State Assembly, Mar. 26, 1968.

[36] Statement of Celler, *supra, Piracy Hearings,* ser. 7, at 5 (1971); Statement of Henry Brief, Executive Director, RIAA, Before the Commerce and Industry Committee, Arizona House of Representatives, Feb. 15, 1971.

[37] CASH BOX, Editorials of Feb. 5, 1972, at 3, and May 27, 1972, at 3.

[38] Statement of Celler, *supra, Piracy Hearings,* ser. 7, at 5 (1971); Statement of Gortikov, *supra, Piracy Hearings,* ser. 7, at 25 (1971).

taxes.[39] Countless wholesalers and retailers also are being victimized by having their business siphoned off. It has been estimated that music publishers and the songwriters they represent are losing more than $10,000,000 a year in copyright royalties due to pirated tapes alone (not including discs),[40] and that in 1969 the musicians of the American Federation of Musicians and the vocalists of the American Federation of Television and Radio Artists lost nearly $20,000,000 in income as a result of the sale of pirated tapes and discs.[41]

Still another adverse consequence of piracy frequently is the dissemination to the public of recordings which are inferior to the originals from which they are taken.[42] The reasons for the inferior quality of the pirated product are several:

> "[F]irst, because each generation of transferred recorded sounds will inevitably reduce the quality of the sound; second, because . . . pirates do not have access to the highly trained personnel or the sophisticated

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[39] H.R. REP. No. 92-487, 92d Cong., 1st Sess. 2 (1971) and S. REP. No. 92-72, 92d Cong., 1st Sess. 4 (1971); Statement of Henry Brief, Executive Director, RIAA, Before the Commerce and Industry Committee, Arizona House of Representatives, Feb. 15, 1971; Statement of Albert Berman, Managing Director of The Harry Fox Agency, Inc., *Piracy Hearings*, ser. 7, at 58 (1971).

[40] Marketing—The $100-Million Market in Bootleg Tapes, Business Week, May 15, 1971, *reprinted in Piracy Hearings*, ser. 7, at 44, 46 (1971).

[41] Statement of Hal C. Davis, President, American Federation of Musicians, *Piracy Hearings*, ser. 7, at 59 (1971).

[42] *See, e.g.*, Capitol Records, Inc. v. Erickson, 2 Cal. App. 3d 526, 530, 82 Cal. Reptr. 798, 800 (1969), *cert. denied*, 398 U.S. 960 (1970) [hereinafter cited as Capitol Records v. Erickson]; RCA v. Premier Albums, Inc., 19 App. Div.2d 62, 63, 240 N.Y.S. 2d 995, 996 (1st Dept. 1963); Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 790, 101 N.Y.S. 2d 483, 487 (Sup. Ct. 1950), *aff'd per curiam*, 279 App. Div. 632. 107 N.Y.S.2d 795 (1st Dept. 1951).

electronic equipment employed by the legitimate industry; and third, because they don't care about quality—they just want to cash in on the quick buck." [43]

Among the principal victims of the inferiority of pirated recordings are the performers, because consumers attribute poor quality to their inadequacy.[44] Where the original manufacturer is known, that company may well be blamed by the consuming public for the poor quality of the pirated product.

From the foregoing it is clear that the recording industry is an economically complex one, in which the compensation of vocalists, musicians and composers for their artistic contributions (as well as payments to trustees of performers' funds) is based in large part on sales of the finished product made by manufacturers of the original sound recordings. Sales made by tape and record pirates obviously do not contribute to the payment of the numerous creative interests affected. Furthermore, the recording industry is a risky and competitive one, in which profits from the relatively few "hits" are necessary to pay for the wide variety of sound recordings now enjoyed by the consuming public, and to make possible the entry of new competitors. It is these very profits which are siphoned off by the pirates, who, by appropriating the expenditures and talent of others only *after* they have proved successful, circumvent most of the costs and all of the risks of the producers of the original recordings.

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[43] Statement of Henry Brief, Executive Director, RIAA, Before the Commerce and Industry Committee, Arizona House of Representatives, Feb. 15, 1971.

[44] Statement of Grossman, *supra*, *Piracy Hearings*, ser. 7, at 49-50 (1971). The titles of the performances and the names of the performing artists invariably appear on the pirated reproductions without authorization.

D. ARGUMENT

I.

Reversal of the Judgment Below Would Have the Effect of Overturning Long-Standing Principles of State Law on Which the Ownership of Sound Recordings Is Based, Including Various Recent Decisions Distinguishing *Sears* and *Compco*. The Consequences to the Recording Industry Would Be Disastrous. No Overriding Considerations of Public Policy Compel Such a Result.

Reduced to its essentials, petitioners' position is that the decisions of this Court in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) prohibit the states from protecting sound recordings against unauthorized duplication. This specific question, of course, was not raised in the *Sears* and *Compco* cases, which dealt with lighting fixtures, a totally different kind of product. Moreover, as we shall demonstrate, the policy considerations of insuring a competitive market which supported the result in *Sears* and *Compco* are absent here, and those identical policy considerations require affirmance of the judgment below.

In *Sears* and *Compco,* federal patent policy was invoked to prevent a state from interfering with free competition in unpatentable objects. Although petitioners seek to hide behind the facade of alleged competition, it has been widely recognized that the piracy of sound recordings is essentially anti-competitive in nature. The position of the Department of Justice on that issue was stated in its

comments on the recent sound recording amendment to the Copyright Act which provides statutory protection for sound recordings against unauthorized duplication:[45]

> "The competition provided by the pirate record industry does not promote any of the traditional benefits of competition. Although the pirate record companies may greatly undercut the prices charged by the creative industry, their ability to do so results in large part from the fact that they do not compensate the creative writers and artists involved. Such practices discourage the investment of money and talents in new performances and ha[ve] the potential to gravely injure creative recording." [46]

A similar view was expressed by the three-judge District Court which upheld the constitutionality of the recent amendment, even though the argument there was based on a claim that there should be a compulsory license to duplicate sound recordings (implying the payment of some compensation):

> "Consumer choices would not be broadened since identical interpretations would be supplied first by the originator and later by the licensee. Equally important, competition and the creative aspects of the industry would be impaired since established recording firms would be discouraged from investing in new arrangements and performers, if they were compelled to li-

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[45] Pub. L. No. 92-140, 85 Stat. 391 (Oct. 15, 1971) made available for the first time federal statutory copyright protection for sound recordings. The statute went into effect on February 15, 1972 and applies only to protect sound recordings "fixed" (*i.e.*, the recording process was completed) on or after that date.

[46] Letter from Deputy Attorney General Richard G. Kleindienst to Hon. Emanuel Celler, Jun. 29, 1971, in *Piracy Hearings*, ser. 7, at 122 (1971).

cense their successful interpretations to those desiring to take advantage of the originator's initiative and to add nothing themselves." [47]

Nor did the *Sears* and *Compco* decisions destroy an entire industry. Here, the only commercial value in a master sound recording is the ability to profit from the exclusive right to duplicate it for sale to the public—and acceptance of petitioners' view would nullify that right. As a result, the inestimable value of untold numbers of sound recordings produced over many years with great effort, expense and artistry would be completely destroyed.[48]

If the decision below were to be reversed and piracy of sound recordings thus permitted to flourish unhindered, the economic and creative effects on the industry would be disastrous.[49] Increased concentration of economic power

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[47] Shaab v. Kleindienst, 174 U.S.P.Q. 197, 198 (D.D.C. 1972). If this Court were to permit the unauthorized reproduction of sound recordings, it would be tantamount to requiring recording companies to grant royalty-free compulsory licenses for their recordings. Congress specifically considered and rejected any form of compulsory license for "the finished product." S. REP. No. 92-72, 92d Cong., 1st Sess. 6 (1971).

[48] The following recent news headlines indicate the tremendous current commercial appeal of catalogs of existing sound recordings: *Pubs Comb Files for "Golden Oldies" As Yesteryear Rock Hits Click Again,* VARIETY, Jul. 26, 1972, at 47; *"Oldie" Pioneer Taps New Marts,* BILLBOARD, Jul. 22, 1972, at 1; *"Oldies" Are the New Sound as Radio Turns Nostalgic,* N.Y. Times, Jul. 17, 1972, at 1; *Only 1 New LP, But Catalog Gives London Its Top June Sales in History,* CASH BOX, Jul. 8, 1972, at 7. It is common knowledge in the industry that concert tours by well-known recording artists revive interest in their previously recorded albums.

[49] Shaab v. Kleindienst, 174 U.S.P.Q. 197 (D.D.C. 1972) is on appeal to this Court; if that decision as well as the decision below should be reversed, then the commercial value of *all* sound recordings would be destroyed. Although 18 U.S.C. § 2318 (1964)

would be inevitable because the smaller companies would not be able to withstand the effects of piracy of their recordings. Established recording companies might be forced to resort to piracy themselves in order to operate profitably and to avoid criticism from their shareholders, and this would contribute further to the elimination of the smaller companies. Production of expensive recordings for specialized audiences in marginal markets, especially recordings of classical music, would be sharply reduced because they could no longer be subsidized by other recordings. With fewer creative enterprises in operation, the consumer would be faced with a smaller selection of recordings from which to choose. The end result would be that "The parasite that killed, would itself be killed, and the public would be left without any service at any price." [50]

These effects are diametrically opposed to the aims of free competition. Unlike *Sears* and *Compco,* a reversal here would not foster the competitive free enterprise system; it would have precisely the opposite result.

The ownership of the sound recording—not merely the physical property, but the exclusive right to duplicate the recorded performance embodied in it—obviously is the economic foundation of the recording industry. In the absence of federal legislation, the basis for such ownership

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provides criminal penalties for interstate traffic in phonograph records bearing forged or counterfeited labels, that statute in no way protects against the vast bulk of unauthorized duplicated recordings which are sold under the pirate's own label or no label at all.

[50] National Tel. News Co. v. Western Union Tel. Co., 119 F. 294, 296 (7th Cir. 1902).

has been found in state law. Prior to *Sears* and *Compco*, challenges to the rights of the owner of the sound recording were rare; and they were uniformly unsuccessful.[51] More recently, the increased piracy resulting from technological developments and the legal arguments supplied by the *Sears* and *Compco* decisions have enlarged the volume of such litigation. It is a striking fact that, even after the decisions in *Sears* and *Compco*, virtually every one of the dozens of courts faced with the question of unauthorized duplication of sound recordings has declared it to be unlawful.[52]

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[51] Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657 (2d Cir. 1955); Artia v. Colosseum Records, Inc., 150 F.Supp. 550 (S.D.N.Y. 1957); Aeolian Co. v. Royal Music Roll Co., 196 F. 926 (W.D.N.Y. 1912); FTC v. Orient Music Roll Co., 2 F.T.C. 176 (1919); RCA v. Premier Albums, Inc., 19 App. Div. 2d 62, 240 N.Y.S.2d 995 (1st Dept. 1963); Gieseking v. Urania Records, Inc., 17 Misc. 2d 1034, 155 N.Y.S.2d 171 (Sup. Ct. 1956). Fonotipia Ltd. v. Bradley, 171 F. 951 (E.D.N.Y. 1909), the earliest record piracy case, was stated in G. Ricordi & Co. v. Haendler, 194 F.2d 914 (2d Cir. 1952), not to extend to published works capable of copyright protection. In the instant case, however, we are dealing with sound recordings which were not capable of statutory copyright protection and which were unpublished. *Cf.* Victor Talking Mach. Co. v. Armstrong, 132 F. 711, 712 (S.D.N.Y. 1904) where the court noted this "novel and interesting question" but found no need to discuss it.

[52] California —TIAA v. Younger, *supra;* Capitol Records v. Erickson, *supra;* Baez v. Fantasy Records, Inc., 144 U.S.P.Q. 537 (Cal. Super. Ct. 1964); Warner Bros. Records, Inc. v. David (Cal. Super. Ct.), in BILLBOARD, Sept. 2, 1972, at 66; Atlantic Recording Corp. v. Superba Tapes, Inc., No. 995811 (Cal. Super. Ct., Feb. 19, 1971); NBC v. Aiello, No. 970398 (Cal. Super. Ct., Apr. 13, 1970); Capitol Records, Inc. v. Winokur (Cal. Super. Ct.), in BILLBOARD, Mar. 7, 1970; Capitol Records, Inc. v. Muntz (Cal. Super. Ct.), in BILLBOARD, Mar. 7, 1970; Capitol Records, Inc. v. Hollywood Music Programmers, Inc., No.

In addition to these numerous judicial decisions, ten states have enacted criminal statutes outlawing record and

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944640 (Cal. Super. Ct., Dec. 27, 1968); Capitol Records, Inc. v. Campoy, No. 191454 (Cal. Super. Ct., Aug. 28, 1967).

Illinois —CBS, Inc. v. Spies, 167 U.S.P.Q. 492 (Ill. Cir. Ct. 1970); Atlantic Recording Corp. v. Magnitron, Inc., No. 72 CH 3431 (Ill. Cir. Ct., Jun. 13, 1972); Mercury Records, Inc. v. McKenna Indus., Inc. (Ill. Cir. Ct., Mar. 22, 1972), in RECORD WORLD, Mar. 25, 1972, at 4; CBS, Inc. v. International Tape, Inc., No. 72 CH 302 (Ill. Cir. Ct., Feb. 17, 1972); Capitol Records, Inc. v. International Tape, Inc., No. 72 CH 301 (Ill. Cir. Ct., Feb. 23, 1972).

Michigan —Rare Earth Corp. v. Lear Jet Corp., No. 71 75821 (Mich. Cir. Ct., Jul. 1, 1971).

Minnesota —CBS Records v. Johnson, No. 4-71 Civil 225 and No. 4-71 Civil 436 (D. Minn., Jun. 20, 1972); Capitol Records, Inc. v. Schaak Electronics, Inc., No. 671559 (Minn. Dist. Ct., Jul. 21, 1971).

Missouri —Columbia Records, Inc. v. Nance (Mo. Cir. Ct.), in CASH BOX, Nov. 13, 1971, at 7.

New York —Greater Recording Co. v. Stambler, 144 U.S.P.Q. 547 (N.Y. Sup. Ct. 1965); Capitol Records, Inc. v. Greatest Records, Inc., 43 Misc. 2d 878, 252 N.Y.S.2d 553 (Sup. Ct. 1964); CBS, Inc. v. Cartridge City, Ltd. (N.Y. Sup. Ct.), in 155 N.Y.L.J. 113, at 10 (1966).

North Carolina—Liberty/UA, Inc. v. Eastern Tape Corp., 11 N.C. App. 20, 180 S.E.2d 414, *appeal dismissed*, 278 N.C. 702, 181 S.E.2d 600 (1971); Liberty/UA, Inc. v. Eastern Tape Corp., 70 CVS 15108, 71 CVS 2579, 71 CVS 4602, and 71 CVS 15105 (N.C. Super. Ct., Jul. 14, 1972).

Oregon —A & M Records v. Northwest, Inc. (Ore. Cir. Ct.), in CASH BOX, Sept. 2, 1972, at 7; Warner Bros. Records, Inc. v. Elliott, No. 378-969 (Ore. Cir. Ct., Jul. 11, 1972); Capi-

tape piracy.[53] The constitutionality of the California statute involved here has been sustained by a three-judge federal district court;[54] attacks on the constitutionality of the Pennsylvania and Texas statutes have been dismissed;[55] and the constitutionality of the Texas statute has been upheld in an opinion by the Attorney-General of that state.[56] After both Houses of Congress, with support from several Executive Departments, had issued reports condemning the practice,[57] Congress enacted an anti-piracy bill (which has

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tol Records, Inc. v. McGettigan, No. 359-225 (Ore. Cir. Ct., Jun. 21, 1971).

Two contrary decisions refusing temporary injunctions were reversed on appeal. Capitol Records, Inc. v. Spies, 130 Ill. App. 2d 429, 264 N.E.2d 874 (1970); CBS, Inc. v. Custom Recording Co., —— S.C. ——, 189 S.E.2d 305 (1972). The single exception is a very recent decision concerning the Florida statute in which appeal presently is pending. International Tape Mfrs. Ass'n v. Gerstein, 174 U.S.P.Q. 198 (S.D. Fla. 1972) (appeal pending). Compare Independent Tape Merchant's Ass'n v. Creamer, No. 72-73 Civil (M.D. Pa., Jul. 24, 1972) and Independent Tape Merchant's Ass'n v. Martin, Civil Action No. 3-5536-A (N.D. Tex., Feb. 29, 1972), where the district courts left interpretation of the Pennsylvania and Texas anti-piracy statutes to the state courts in the first instance.

[53] ARIZ. REV. STAT. ANN. §13-1024 (1971-2 Supp.); ARK. STAT. ANN. §41-4617 (1971 Supp.); CAL. PENAL CODE §653h (West 1970); FLA. STAT. ANN. §543.041 (1972); LA. ACT 350 (Reg. Sess., 1972); N.Y. GEN. BUS. LAW §561 (McKinney 1968); PA. STAT. tit. 18, §4878.1 (1972-3 Supp.); TENN. CODE ANN. §39-4244 through §39-4250 (1971 Supp.); TEX. PENAL CODE ANN. art. 1137r (1972 Supp.); VA. CODE §59.1-41.1 through §59.1-41.6 (1972 Supp.).

[54] TIAA v. Younger, *supra.*

[55] Independent Tape Merchant's Ass'n v. Creamer, No. 72-73 Civil (M.D. Pa., Jul. 24, 1972); Independent Tape Merchant's Ass'n v. Martin, Civil Action No. 3-5536-A (N.D. Tex., Feb. 29, 1972).

[56] TEX. ATT'Y GEN. OPINION No. M-1114, Apr. 3, 1972.

[57] H.R. REP. No. 92-487, 92d Cong., 1st Sess. (1971); S. REP. No. 92-72, 92d Cong., 1st Sess. (1971); *see* note 45, *supra.*

only prospective effect). A diplomatic conference on record and tape piracy in October 1971 in Geneva, Switzerland, attended by more than fifty nations, adopted a "Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms." [58]

This substantially unanimous agreement that the piracy of sound recordings is pernicious and unlawful conduct that cannot be condoned, reached by so many judges in so many jurisdictions, by state legislatures, by the Congress and the Executive branch of the United States, and by the international community, shows clearly that basic considerations of public policy dictate affirmance of the decision below.

II.

States Can Protect Sound Recordings Under Unfair Competition Principles.

The law of unfair competition has evolved over the years to meet changing business developments and malpractices. Beginning in 1918 with the landmark decision of this Court in *International News Service* v. *Associated Press*,[59] courts have applied the doctrine of "misappropriation" to particular fact situations in which (1) time, effort and money have gone into something of value, generally an intangible creation, (2) there has been appropriation of

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[58] The text appears in COPYRIGHT (Monthly Review of the World Intellectual Property Organization), Dec. 1971, at 240-242. The treaty has been signed by 31 countries (COPYRIGHT, May 1972, at 110), and will go into effect 3 months after formal ratification, acceptance or accession by 5 countries. *Id.* Article 11(1).

[59] 248 U.S. 215 (1918).

that "quasi-property" at little or no cost to the malefactor; and (3) there has been a direct diversion of profits from the creator to the appropriator. *INS* involved the pirating of the substance of complainant's news reports (concededly not within the coverage of the Copyright Act).[60] The Court, in granting relief against this activity which it characterized as a "misappropriation," analyzed the situation as follows:

> "Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense. . . . The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business."[61]

Courts repeatedly have applied this doctrine to redress obvious inequities involving various similar practices, including record piracy—a totally analogous situation squarely meeting the three criteria mentioned above.[62]

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[60] *Id.* at 233.

[61] *Id.* at 240.

[62] *E.g.*, Pittsburgh Athletic Co. v. KQV Broadcasting Co., 24 F. Supp. 490 (W.D. Pa. 1938) (unauthorized sportscast); Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 101 N.Y.S.2d 483 (Sup. Ct. 1950), *aff'd per curiam*, 279 App. Div. 632, 107 N.Y.S.2d 795 (1st Dept. 1951) (opera performances recorded off the air and incorporated in phonograph records); Mutual Broadcasting System, Inc. v. Muzak Corp., 177 Misc. 489, 30 N.Y.S.2d 419 (Sup. Ct. 1941) (sportscast taken off the air and transmitted by telephone lines); Twentieth Century Sporting Club, Inc. v. Transradio Press Service, Inc., 165 Misc. 71, 300

Thus, the misappropriation doctrine grew in response to the ethical as well as the economic needs of society, and it developed separately from the patent and copyright laws and from other common law rules concerning unfair competition.[63]

Sears and *Compco* did not obliterate all state unfair competition law. For example, the Court specifically endorsed the right of the states to enjoin imitation of trademarks, labels or distinctive packaging[64]—all of which are types of unfair competition.[65] *Sears* and *Compco* thus do not automatically exclude relief for misappropriation, which is another type of unfair competition.[66]

The *INS* decision was not even cited in *Sears* and *Compco*. Despite the sweeping language of those decisions, the Court surely could not have intended to destroy the

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N.Y.S. 159 (Sup. Ct. 1937) (sportscast taken off the air and retransmitted); Waring v. WDAS Broadcasting Station, 327 Pa. 433, 194 A. 631 (1937) (unauthorized radio broadcast of recording). For record piracy cases, *see* notes 51 and 52, *supra*.

[63] *See, e.g.*, International News Service v. Associated Press, 248 U.S. 215, 235 (1918); CBS, Inc. v. Spies, 167 U.S.P.Q. 492, 499 (Ill. Cir. Ct. 1970); Ahrens, *The Misappropriation Doctrine After Sears-Compco*, 59 TRADEMARK REP. 88, 92 (1969). *See also* Waring v. WDAS Broadcasting Station, 327 Pa. 433, 194 A. 631 (1937).

[64] 376 U.S. 225 at 232 (1964); 376 U.S. 234 at 238 (1964). *See also* 376 U.S. at 239 (1964) (Harlan, J., concurring).

[65] "The law of trade-marks is but a part of the broader law of unfair competition. . . ." United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97 (1918).

[66] "In recent years, its [unfair competition's] scope has been extended. It has been held to apply to misappropriation as well as misrepresentation, to the selling of another's goods as one's own —to misappropriation of what equitably belongs to a competitor." Schecter Poultry Corp. v. U.S., 295 U.S. 495, 532 (1935).

entire body of misappropriation law without expressly saying so.[67] The continuing vitality of the misappropriation doctrine has been accepted by the numerous federal and state courts which have continued to apply it after *Sears* and *Compco,* not only to combat record and tape piracy, but also in various analogous situations involving blatantly inequitable conduct.[68] The one federal appellate court decision which construes *Sears* and *Compco* as having overruled *INS* has been severely criticized by leading commentators.[69]

Sears and *Compco* were product simulation cases, a well-recognized category in unfair competition law.[70] The Court

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[67] The commentators are in agreement. *E.g.,* Handler, in *Symposium, Product Simulation: A Right or a Wrong?,* 64 COLUM. L. REV. 1178, 1190 (1964); 2 R. CALLMANN, UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES §60.4(c), at 519 (3d ed. 1968); Ahrens, *The Misappropriation Doctrine After Sears-Compco,* 59 TRADEMARK REP. 88, 104 (1969).

[68] *E.g.,* Bond Buyer v. Dealers Digest Publishing Co., 25 App. Div.2d 158, 267 N.Y.S.2d 944 (1st Dept. 1966) (wire service material incorporated in newsletter); CBS, Inc. v. Documentaries Unlimited, Inc., 42 Misc.2d 723, 248 N.Y.S.2d 809 (Sup. Ct. 1964) (news announcement recorded off the air and incorporated in phonograph record); Lennon v. Pulsebeat News, Inc., 143 U.S.P.Q. 309 (N.Y. Sup. Ct. 1964) (taped interviews incorporated in phonograph records); Pottstown Daily News Publishing Co. v. Pottstown Broadcasting Co., 247 F. Supp. 578 (E.D. Pa. 1965) (newspaper items incorporated in news broadcast); *cf.* New York World's Fair 1964-1965 Corp. v. Colourpicture Publishers, Inc., 141 U.S.P.Q. 939 (N.Y. Sup. Ct.), *aff'd,* 21 App. Div. 2d 896, 251 N.Y.S.2d 885 (2d Dept. 1964) (photographs of fair grounds buildings used in postcards and the like). For record piracy cases *see* note 52, *supra.*

[69] CBS, Inc. v. DeCosta, 377 F.2d 315, 318 (1st Cir.), *cert. denied,* 389 U.S. 1007 (1967). *See* Derenberg, *Consumerism and "Old-Fashioned Commercial Honesty,"* 15 IDEA 45, 56-7 (Special Conference Issue, 1972); 2 R. CALLMANN, UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES § 61.3, at 550-551 (3d ed. 1968).

[70] *See, e.g.,* Derenberg, in *Symposium, Product Simulation: A Right or a Wrong?,* 64 COLUM. L. REV. 1178, 1204-08 (1964).

left no room for Illinois to use state unfair competition law to avoid paramount federal patent policy as applied to product simulation. But that does not oust state power to repress all other types of unfair competition, whether under the rubric of misappropriation or otherwise. With specific reference to sound recordings, Congress clearly felt that protectable rights do exist in recordings fixed prior to the effective date of the recent amendment to the Copyright Act. Section 3 of that amendment states, in part:

> "... nothing in title 17, United States Code, as amended by section 1 of this Act, shall be applied retroactively or be construed as affecting in any way any rights with respect to sound recordings fixed before the effective date of this Act."[71]

The universal condemnation of record and tape piracy compels its classification as a form of unfair competition. "Competition is a desideratum in our economic system but it ceases to serve an economic good when it becomes unfair. The concept of fair play should not be shunted aside on the theory that competition in any form serves the general good. Only *fair* competition does that. Unfair competition is not competition at all in the truest sense of the word."[72] The public interest without question would best be served by safeguarding the legitimate interests and property rights of the sound recording industry from destruction at the hands of the pirates, and the equitable misappropria-

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[71] Pub. L. No. 92-140, 85 Stat. 391 (Oct. 15, 1971).

[72] Schulenburg v. Signatrol, Inc., 50 Ill. App. 2d 402, 200 N.E. 2d 615 (1964). *See also* Handler, in *Symposium, Product Simulation: A Right or a Wrong?*, 64 COLUM. L. REV. 1178, 1187 (1964).

tion doctrine of unfair competition developed from *INS* is perfectly suited to provide protection in this unique situation.

III.

States Also Can Protect Sound Recordings Under Common Law Copyright Principles.

Unpublished writings always have been accorded protection against unauthorized use,[73] and in 1909, when the present Copyright Act was enacted, Congress specifically preserved common law rights in unpublished works[74] by stating in Section 2:

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[73] *See* Wheaton v. Peters, 33 U.S. (8 Pet.) 591 (1834). The early federal copyright statutes, unlike the present Copyright Act, provided a statutory remedy against the printing or publishing of any manuscript whatever without the prior consent of the author or proprietor. Act of May 31, 1790, 1 Stat. 124, §6; Act of Feb. 3, 1831, 4 Stat. 436, §9; Act of Jul. 8, 1870, 16 Stat. 230, §102; Rev. Stat. §4967 (1875); Act of Mar. 31, 1891, 26 Stat. 1106, §9. This provision was interpreted not to preempt the states from concurrently protecting the common law copyright in unpublished works. *See, e.g.,* Kortlander v. Bradford, 116 Misc. 664, 190 N.Y.S. 311 (Sup. Ct. 1921); Palmer v. DeWitt, 47 N.Y. 532, 535-36 (1872); Woolsey v. Judd, 11 N.Y. Super. (4 Duer) 379, 385, 11 How. Pr. 49, 55 (1855); *see also,* Press Pub. Co. v. Monroe, 73 F. 196, 199 (2d Cir.), *appeal dismissed,* 164 U.S. 105 (1896); Whicher, *The Ghost of Donaldson v. Beckett: An Inquiry into the Constitutional Distribution of Powers Over the Law of Literary Property in the United States,* 9 BULL. COPYRIGHT SOC'Y 102, 146 *et seq.* (1961) [hereinafter cited as Whicher].

[74] "It was thought best by the committee to insert the provision in this form in order that it might be perfectly clear that nothing in the bill was intended to impair in any way the common-law rights in respect to this kind [unpublished] of work." H.R. REP. No. 2222, 60th Cong., 2d Sess. 9 (1909). Under the current Copyright Revision Bill, Congress would reenter and specifically preempt the field of protection for unpublished works. S. 644, 92d Cong., 1st Sess. §104(a) (1971).

> "Nothing in this title shall be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work without his consent, and to obtain damages therefor." [75]

The *Sears* decision, citing Section 2 of the Copyright Act, recognized the continuing power of the states to give common law copyright protection to unpublished writings.[76] Sound recordings are "writings" in the constitutional sense and constitute works of creative authorship that are a proper subject for copyright protection.[77] Thus, by virtue of Section 2 of the Copyright Act, any sound recording fixed before the effective date of the recent amendment to the Copyright Act can be protected under state common law copyright principles if it remains unpublished.

"Publication" in copyright law is a technical concept which varies in meaning according to circumstances and whether the issue presented involves the *divesting* of common law copyright or the *investing* of statutory copy-

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[75] 17 U.S.C. §2. Section 12, 17 U.S.C. §12, continues to permit, but does not require, registration of copyright in several types of unpublished works (not including sound recordings).

[76] 376 U.S. at 231 n. 7. *Accord,* Edgar H. Wood Associates, Inc. v. Skene, 347 Mass. 351, 355, 197 N.E.2d 886, 890 (1964); CBS, Inc. v. Documentaries Unlimited, Inc., 42 Misc. 2d 723, 726, 248 N.Y.S.2d 809, 812 (Sup. Ct. 1964).

[77] Shaab v. Kleindienst, 174 U.S.P.Q. 197 (D.D.C. 1972); *see* Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 660 (2d Cir. 1955); H.R. REP. No. 92-487, 92d Cong., 1st Sess. 5 (1971); Diamond, *Sound Recordings and Copyright Revision,* 53 IOWA L. REV. 839, 861 (1968); RINGER, *The Unauthorized Duplication of Sound Recordings,* U.S. COPYRIGHT OFFICE, GENERAL REVISION OF THE COPYRIGHT LAW 11 (Study No. 26, 1957).

right.[78] This dichotomy is necessary because publication destroys common law copyright; it may be replaced by statutory copyright if the work is eligible under the categories established by the Copyright Act and if it bears the correct notice in the proper place at the time of publication.[79] In order to avoid the drastic result of an unintended forfeiture of rights, the identical activity has been held to be a publication *investing* statutory copyright protection in one case but not to be a publication *divesting* common law copyright protection in another case.[80] "In

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[78] *See* Kalodner and Vance, *The Relation between Federal and State Protection of Literary and Artistic Property*, 72 HARV. L. REV. 1079, 1092-96 (1959) [hereinafter cited as Kalodner and Vance]; Comment, *Performers' Rights and Copyright: The Protection of Sound Recordings from Modern Pirates*, 59 CALIF. L. REV. 548, 561 (1971).

While the question of what constitutes publication *investing* federal statutory copyright is a matter of federal law, the concept of publication *divesting* common law copyright is governed by the case law of the particular state in which protection is sought. Thus, in a case of first impression in California, a state District Court of Appeal declined to follow an old decision of a New York court in Wright v. Eisle, 86 App. Div. 356, 83 N.Y.S. 887 (2d Dept. 1903), and held instead that the mandatory filing of architectural plans, drawings and designs with a county building department did not indicate an intent to dedicate the plans to the public and was not a publication divesting common law copyright in the plans. Smith v. Paul, 174 Cal. App.2d 744, 345 P.2d 546 (1959). As this issue has subsequently arisen in other state courts, the California decision in Smith v. Paul has come to reflect the increasingly accepted view. *See* Edgar H. Wood Associates, Inc. v. Skene, 347 Mass. 351, 197 N.E.2d 886 (1964). The changing concept of publication is further demonstrated by the fact that a New York appellate court recently overruled the earlier decision in Wright v. Eisle and accepted the *Smith* and *Skene* cases as the prevailing view of publication. Shaw v. Williamsville Manor, Inc., 38 App. Div.2d 442, 330 N.Y.S.2d 623 (4th Dept. 1972).

[79] 17 U.S.C. §§5, 10, 19.

[80] *Compare, e.g.*, Werckmeister v. Pierce and Bushnell Mfg. Co., 72 F. 54 (1st Cir. 1896) (holding that exhibition of a painting in a

each case the courts appear so to treat the concept of 'publication' as to prevent piracy." [81]

A number of courts have analyzed the protection of sound recordings under common law copyright doctrines and have held that the sale of the physical object (the record or tape) does not divest common law copyright and forfeit the right to duplicate the intangible recorded performance embodied in it.[82] This is consonant with a long line of authority that a performance, even before thousands of people, does not constitute a divestitive publication.[83] The record or tape is a device that is meaningless as a physical object but possesses the capability of reperforming the captured sounds. Accordingly, the sound record-

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public art gallery constituted publication which invested statutory copyright protection), *with* Werckmeister v. American Lithograph Co., 134 F. 321 (2d Cir. 1904) (holding that exhibition of a painting in a public art gallery did not constitute publication divesting common law copyright protection).

[81] American Visuals Corp. v. Holland, 239 F.2d 740, 744 (2d Cir. 1956) (Frank, J.).

[82] Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657 (2d Cir. 1955); Capitol Records, Inc. v. Greatest Records, Inc., 43 Misc. 2d 878, 252 N.Y.S.2d 553 (Sup. Ct. 1964); Gieseking v. Urania Records, Inc., 17 Misc.2d 1034, 155 N.Y.S.2d 17 (Sup. Ct. 1956); Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 101 N.Y.S.2d 483 (Sup. Ct. 1950), *aff'd per curiam*, 279 App. Div. 632, 107 N.Y.S. 2d 795 (1st Dept. 1951).

[83] *E.g.*, Ferris v. Frohman, 223 U.S. 424 (1912) (performance of a stage play, held not divestitive publication); Heim v. Universal Pictures Co., 154 F.2d 480 (2d Cir. 1946) (playing of a musical composition, held not a divestitive publication); King v. Mister Maestro, Inc., 224 F. Supp. 101 (S.D.N.Y. 1963) (public delivery of speech before 200,000 people, over radio and television, and after distribution of advance copies to the press, held not a divestitive publication); Uproar Co. v. NBC, 8 F. Supp. 358, 362 (D. Mass. 1934), *aff'd as mod.*, 81 F.2d 373 (1st Cir. 1936) (broadcast of a radio script, held not a divestitive publication).

ing—the intangible work embodied in the record or tape[84] —remains unpublished.[85] It is not in the public domain; to the contrary it is subject to state protection, and its unauthorized duplication is an obvious infringement of the owner's common law copyright.

Petitioners argue that *Sears* and *Compco* held the states to be preempted from protecting materials (such as sound recordings) that are constitutionally capable of copyright protection but for which Congress has not granted statutory copyright protection.[86] This argument seems to rest on the theory that the copyright clause of the Constitution[87] operates, of its own force, to make the protection of all writings an exclusively federal function. The short answer to this contention is that, as noted above, *Sears* specifically recognized the continuing validity of state protection in the field of common law copyright.[88]

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[84] For the distinction between intangible works and material objects, see the definitions of "sound recordings" and "reproductions of sound recordings" in §1(e) of Pub. L. No. 92-140, 85 Stat. 391 (Oct. 15, 1971); *cf.* the definitions of "sound recordings" and "phonorecords" in S. 644, 92d Cong., 1st Sess. §101 (1971).

[85] The reference to "publication" in the Copyright Act, 17 U.S.C. §26, insofar as it applies to sound recordings, concerns the investing of statutory copyright, and in any case it relates only to post-February 15, 1972 recordings. For both reasons, it has no bearing on this case.

[86] Professor Nimmer, upon whose views petitioners rely to support their argument that under *Sears* and *Compco* states are preempted from protecting sound recordings, has changed his position in the 1972 version of his text, based upon Congressional enactment of the sound recording amendment to the Copyright Act. 1 M. NIMMER, THE LAW OF COPYRIGHT §35.225 (1972).

[87] U.S. CONST. art. I, §8, cl. 8.

[88] 376 U.S. at 231 n.7. Moreover, any other construction of *Sears* and *Compco* would lead to bizarre and disastrous results. If the constitutional preemption theory were correct, Congress could

Petitioners also assert that the "limited times" phrase in the copyright clause precludes state common law copyright protection of writings for unlimited times.[89] However, review of the historical background of the copyright clause makes it clear that the "limited times" phrase was intended only as a restraint on federal power and does not limit the states with respect to common law copyright in unpublished works.[90] Furthermore, the "limited times" phrase implies an affirmative policy of giving an author some period of protection to derive a significant economic return from his creation.[91] Since record piracy precludes even a minimum period of protection, application of the "limited

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not leave protection of unpublished writings to the states, as it has attempted to do in Section 2 of the Copyright Act. See 1 M. NIMMER, THE LAW OF COPYRIGHT §35.225, at 146.25 (1972). Unpublished writings of all kinds thus would be in the public domain since the states could not protect them and Congress has failed to do so. The logical extension of this line of argument is that all statutory copyrights would be invalid because Section 8 of the Copyright Act, 17 U.S.C. §8, provides that no statutory copyright can be procured for any work in the public domain—and a work could hardly be published if it did not first exist in unpublished form. The Court could not have intended *Sears* and *Compco* to lead to such absurd conclusions, especially in light of the long history of judicial protection of unpublished works under common law principles. See also authorities cited in footnote 89.

[89] The copyright clause of the Constitution does not of its own force preempt state law. *See* Arnold, *A Philosophy on the Protections Afforded by Patent, Trademark, Copyright and Unfair Competition Law: The Sources and Nature of Product Simulation Law*, 54 TRADEMARK REP. 413, 420-21 (1964); Comment, 43 N.Y.U. L. REV. 178, 183 (1968). *Cf.* Chapman, *The Supreme Court and Federal Law of Unfair Competition*, 54 TRADEMARK REP. 573, 579 (1964); Kunin, *The Lindsay Bill Before and After the Stiffel Case*, 54 TRADEMARK REP. 731, 744 (1964).

[90] Whicher, *supra*, at 151; *see* Kalodner and Vance, *supra*, at 1085.

[91] *See* Kalodner and Vance, *supra*, at 1083-84.

times" phrase to permit piracy manifestly would be inconsistent with the underlying policy of that phrase.

An alternative basis for petitioners' argument appears to be that *Sears* and *Compco* declare the states to be prohibited by virtue of the supremacy clause from granting protection to writings that Congress has not covered by the Copyright Act. This theory implies that Congress has occupied the field by enacting the Copyright Act of 1909 because an affirmative state grant of protection would conflict with the exercise of Congressional power under the copyright clause. But Congress has not occupied the copyright field (as distinguished from the patent field);[92] this is clear from its explicit recognition of state power in Section 2 of the Copyright Act.

In 1909, when Congress last adopted a complete revision of the Copyright Act, consideration was given to sound recordings as infringements of the musical compositions embodied in them. This Court had previously decided that a player piano roll was not a "copy" of the recorded music embodied in it and hence could not infringe the copyright in the musical composition under the existing statute.[93] In order to rectify that manifestly unjust situation, Congress gave to copyright proprietors of musical compositions the right to control the manufacture of "mechanical reproductions" of their works[94] but specifically did not grant separate copyright protection to the mechanical reproductions themselves.[95] No reason was given for this omission.

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[92] "Patent rights exist only by virtue of statute." Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 229 n. 5 (1964).

[93] White-Smith Publishing Co. v. Apollo Co., 209 U.S. 1 (1908).

[94] 17 U.S.C. § 1(e).

[95] H.R. Rep. No. 2222, 60th Cong., 2nd Sess. 9 (1909).

However, many efforts have been made over the past half-century and more to enact another complete revision of the Copyright Act, and most of these revision bills contained provisions protecting sound recordings.[96] The task remains uncompleted because of the diverse interests and technological developments involved. When the House of Representatives in 1967 did pass a copyright revision bill,

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[96] A study of the legislative history of the various bills for general revision of the Copyright Act makes clear that there has never been opposition to the principle of protection of sound recordings against unauthorized duplication. The reason why sound recordings were not until recently covered by federal law is that provisions for the protection of sound recordings were submitted to Congress as part of each successive bill for the general revision of the Copyright Act. The failure of Congress to enact these revision bills was due to controversies over issues unrelated to the protection of sound recordings against unauthorized duplication. RINGER, *The Unauthorized Duplication of Sound Recordings*, U.S. COPYRIGHT OFFICE, GENERAL REVISION OF THE COPYRIGHT LAW 37 (Study No. 26, 1957); REPORT OF THE REGISTER OF COPYRIGHT ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW, 87th Cong., 1st Sess., at x (1961); H.R. REP. No. 2237, 89th Cong., 2d Sess. 31 (1966).

Furthermore, from the very earliest attempts to revise the Copyright Act, it was accepted by the recording industry *and* by Congress that state law protected sound recordings from unauthorized duplication. *Hearings on H.R. 11258 Before the House Comm. on Patents*, 68th Cong., 2d Sess. 303 (1925); *Hearings on H.R. 10131 Before the House Comm. on Patents*, 69th Cong., 1st Sess. 319 (1926); *Hearings on H.R. 9639 Before the House Comm. on Patents*, 71st Cong., 2d Sess. 10-11, 27, 29 (1930); *Hearings on Revision of Copyright Laws Before House Comm. on Patents*, 74th Cong., 2d Sess. 113, 639, 653, 1181 (1936); *Hearings on H.R. 1268, H.R. 1270 and H.R. 2570 Before the Subcomm. on Patents, Trademarks and Copyrights of the House Judiciary Comm.*, 80th Cong., 1st Sess. 54 (1947). *See also* RINGER, *The Unauthorized Duplication of Sound Recordings*, U.S. COPYRIGHT OFFICE, GENERAL REVISION OF THE COPYRIGHT LAW 17-20 (Study No. 26, 1957); Diamond, *Copyright Problems of the Phonograph Record Industry*, 15 VAND. L. REV. 419, 429 (1962). When it became clear to the Congress that piracy had grown to such proportions that federal copyright protection was needed in addition to state law, it dealt with sound recordings separately by passing Public Law No. 92-140.

the accompanying committee report took pains to point out that the extension of copyright protection to sound recordings was "overdue," [97] and Section 3 of the recent sound recording amendment completely dispels any doubt about the absence of Congressional intent to preempt the field prior to the effective date of that amendment.[98] The pirates therefore are mistaken when they attempt to draw a negative inference from the failure of Congress to enact copyright legislation covering sound recordings until the passage of the sound recording amendment in 1971.

Thus, at least with respect to unpublished constitutionally copyrightable works such as sound recordings, *Sears* and *Compco* cannot properly be construed as precluding state protection against unauthorized duplication. We find nothing in *Sears* and *Compco,* or elsewhere, that would require the Court to ignore the manifest Congressional intent to preserve common law rights in unpublished writings—including sound recordings—and the power of the states to give protection to such rights.

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[97] H.R. REP. No. 2237, 89th Cong., 2d Sess. 47 (1966).

[98] *See* Tape Head Co. v. RCA Corp., 452 F.2d 816, 819 n.1 and accompanying text (10th Cir. 1971).

IV.

The *Sears* and *Compco* Cases Are Distinguishable.

Sears and *Compco* are specifically distinguishable from the instant case on several significant grounds.

First, they dealt only with patent questions; therefore, all references to copyright were *obiter dicta*.[99] Although patents and copyrights are mentioned in the same clause of the Constitution, there are vital differences between them, notably in terms of the scope of protection. An invention must be novel to be patentable.[100] A patent confers upon the inventor the right to exclude others from making, using or selling the invention.[101] As a result, a patentee can prohibit everyone from practicing his invention whether or not the same idea is independently discovered. On the other hand, a writing need only be original to be copyrightable.[102] A copyright confers only the right to prevent *copying* of the *form of expression* of the idea;[103] the basic idea in the copyrighted work is fully usable by anyone.[104] The author or proprietor can prohibit direct copying of his

[99] *E.g.*, Pottstown Daily News Publishing Co. v. Pottstown Broadcasting Co., 247 F. Supp. 578, 580-581 (E.D. Pa. 1965); Derenberg, *Consumerism and "Old-Fashioned Commercial Honesty,"* 15 IDEA 45, 56 (Special Conference Issue, 1972).

[100] 35 U.S.C. §101; *see* 1 DELLER'S WALKER ON PATENTS §54 (2d ed. 1964).

[101] 35 U.S.C. §§154, 271.

[102] *E.g.*, Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99 (2d Cir. 1951).

[103] *E.g.*, Mazer v. Stein, 347 U.S. 201, 217 (1954).

[104] *E.g.*, Baker v. Selden, 101 U.S. 99, 101-04 (1879).

work, but the public is not deprived of the right of independent recreation of a substantially identical work not copied from his.[105] Accordingly, there can be only one validly patented version of an invention, but there can be a plurality of identical validly copyrighted works each of which was independently created.[106] Thus, patents and copyrights are distinguishable to such an extent that, despite the sweeping statements in the *Sears* and *Compco* opinions, the Court's discussion of policies applicable to the patent system in those opinions cannot be applied automatically to the copyright system.[107]

Second, in *Sears* and *Compco,* the defendants made "substantially identical"[108] or "very similar"[109] copies of physical objects. A record or tape, however, is meaningless as a physical object. It is merely a carrier for the intangible recorded performance. Sound recordings are not substantially copied by pirates in the sense of simulating them; they are exactly duplicated by electronic means.[110]

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[105] "[T]he law imposes no prohibition upon those who, without copying, independently arrive at the precise combination of words or notes which have been copyrighted." Fred Fisher, Inc. v. Dillingham, 298 F. 145, 147 (S.D.N.Y. 1924) (L. Hand. J.).

[106] *Id.* at 150-51; *see, e.g.,* Mazer v. Stein, 347 U.S. 201, 218 (1953); Sheldon v. Metro-Goldwyn Pictures Corp., 81 F.2d 49, 54 (2d Cir. 1936), *aff'd,* 309 U.S. 390 (1940).

[107] *See* text at note 112, *infra.* The rule of *Sears* and *Compco* was elucidated further by the Court in Lear, Inc. v. Adkins, 395 U.S. 653, 668 (1969), which declared that "federal law requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent." The idea in a sound recording, like that of any other copyrightable work, is not restricted by either common law or statutory copyright.

[108] 376 U.S. 225 at 226.

[109] 376 U.S. 234 at 235.

[110] Imitation of a recorded performance, as distinguished from its appropriation, is permissible. Sinatra v. Goodyear Tire & Rubber

As has been pointed out in numerous cases, the unauthorized *copying* of an article is distinguishable from the unauthorized *appropriation, reproduction* or *duplication* of the very article itself—the actual performance comprising the sound recording embodied in the record or tape.[111]

The situation here is completely unlike that presented in *Sears* and *Compco*. A customer for lighting fixtures wants something esthetically satisfying and functionally capable of supplying illumination; Sears' version of Stiffel's pole lamp may very well suffice. But a customer for a record or tape wants a particular version of a certain musical composition performed by specific artists; and *that is precisely what the petitioners supply*—not their own version, but the *identical* performance created by the original producer. Although it may also be denominated "copying" for want of a better word, this is a totally different kind of activity from that which was involved in *Sears* and *Compco*.[112]

Third, in *Sears* and *Compco* the plaintiffs had obtained patents that subsequently were ruled invalid. It was logical

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Co., 435 F.2d 711 (9th Cir. 1970); Davis v. TWA, 297 F. Supp. 1145 (C.D. Cal. 1969); Supreme Records, Inc. v. Decca Records, Inc., 90 F. Supp. 904 (S.D. Cal. 1950); Miller v. Universal Pictures Co., 11 App. Div.2d 47, 201 N.Y.S.2d 632 (1st Dept. 1960), *aff'd*, 10 N.Y.2d 972, 224 N.Y.S. 2d 662, 180 N.E.2d 248 (1961); *cf.* Pub. L. No. 92-140, 85 Stat. 391, §1.(a).

[111] *See, e.g.*, TIAA v. Younger, *supra;* Capitol Records v. Erickson, *supra;* Capitol Records v. Spies, 130 Ill. App.2d 429, 264 N.E. 2d 874 (1970).

[112] The Solicitor General explicitly recognized this distinction in his brief for the United States as *amicus curiae* in *Sears* and *Compco*, at 11-12, 28.

to hold them to their choice of method of protection.[113] There is no parallel with sound recordings because there was no possibility of federal statutory protection for those works as an alternative.[114] In *Sears* and *Compco,* the articles were "too slight an advance" [115] and "too lacking in novelty" [116] to be entitled to patent protection; but it is acknowledged that sound recordings constitute works of creative authorship which constitutionally qualify for copyright protection.[117] Thus, the facts presented in *Sears* and *Compco* made them relatively easy cases to decide since state protection was substantively inconsistent with the federal statute—the state sought to protect something the federal law dictated as being unprotectable. In the instant case, state protection is consistent with the federal statute —the state seeks to protect something the federal law specifically leaves to the states to protect.[118] Moreover, as discussed above, the basic policy considerations arising from the tenets of our free enterprise economic system led to reversal in *Sears* and *Compco,* but should lead to affirmance here.

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[113] In this respect, G. Ricordi & Co. v. Haendler, 194 F.2d 914 (2d Cir. 1952), which was cited in *Sears,* is properly analogous because that case refused to protect the typography of a book after copyright in the text had been obtained and had expired.

[114] Under Pub. L. No. 92-140, 85 Stat. 391, only sound recordings fixed and published on or after February 15, 1972 are eligible for federal copyright protection.

[115] 376 U.S. 225 at 232.

[116] *Id.*

[117] *See* note 77, *supra.*

[118] 17 U.S.C. §2; Pub. L. No. 92-140, 85 Stat. 391, §3.

V.

The California Statute Is a Proper Exercise of the State Interest in Punishing Conduct Equivalent to Larceny.

Despite the broad formulation of the question presented by petitioners, this case actually deals only with the narrow issue of the validity of the state penal statute under which they were convicted and it can be decided on that ground alone. This Court often has recognized that in our dual system of government, "federal regulation of a field of commerce should not be deemed preemptive of state regulatory power in the absence of persuasive reasons—either that the nature of the regulated subject matter permits no other conclusion, or that the Congress has unmistakably so ordained." [119] There are persuasive reasons why states should be permitted to continue to protect their citizens from the effects of predatory theft of valuable property rights in sound recordings, as has been demonstrated above. Moreover, the state penal statute here in issue deals with a subject matter long left untouched by Congress, and there is no need to speculate about the fact that Congress expressly stated its intention *not* to preempt state action with respect to sound recordings fixed prior to February 15. 1972.[120]

This Court has specifically rejected the notion that mere coincidence of subject matter of federal and state statutes is enough to support a finding of preemption:

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[119] Florida Lime & Avocado Growers, Inc. v. Paul, 373 U.S. 132, 142 (1963).

[120] February 15, 1972 is the effective date of the sound recording amendment, Pub. L. No. 92-140, 85 Stat. 391. Petitioners were convicted much earlier (June 28, 1971) for acts obviously committed prior to that date. Thus, the application of the California statute to recordings made after February 15, 1972 is not in issue here.

"Respondent's automatic coincidence means invalidity theory, applied in an area as imbued with the state's interest as is this one, . . . would lead us to the conclusion that a state may not make a dealer in perishable agricultural commodities respect its laws on the fraudulent nonpayment of an obligation, if that fraud occurred after an interstate shipment, 7 U.S.C. §499 (b)(4), for Congress has not expressly saved such prosecutions. We would hold, too, that extortion or robbery from interstate commerce under 18 U.S.C. §1951 or 18 U.S.C. §2117 is immune from state action; that the wrecking of a bridge over an interstate railroad is an 'exclusively federal' offense, 18 U.S.C. §1992; that the transmittal of a ransom note in interstate commerce cannot be punished by local authorities, 18 U.S.C. §875. And see 18 U.S.C. §§331, 472, 479. In short, we would be setting aside great numbers of state statutes to satisfy a congressional purpose which would be only the product of this Court's imagination." [121]

Similar consequences would result from a holding that *Sears* and *Compco* dictate copyright preemption:

"If the rationale of the *CBS* case that *Sears-Compco* was a constitutional decision remains unchallenged, the only conclusion would be that because of an alleged conflict with constitutional copyright policy, many tortious competitive practices such as bribery, breach of confidence, and enticing away customers cannot be enjoined if they concern materials which may be copyrightable subject matter but which are not in fact so protected under the present copyright laws. The equitable doctrine of misappropriation which allowed the courts to do justice in situations not covered by the federal statutes or common law would be overruled." [122]

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[121] California v. Zook, 336 U.S. 725, 732-33 (1949).

[122] Ahrens, *The Misappropriation Doctrine after Sears-Compco*, 59 TRADEMARK REP. 88, 113 (1969).

Surely it could not be seriously asserted that just because a work of fine art can be protected under the federal copyright law, a state cannot statutorily regulate the transfer of reproduction rights in works of fine art;[123] that just because a corporate stock certificate is a "writing" that could be protected under the federal copyright law, a state cannot statutorily outlaw counterfeiting of such certificates;[124] that just because secret scientific material, although constitutionally capable of copyright protection, may be ineligible for protection under the federal copyright law because it is still unpublished, a state cannot statutorily outlaw its unauthorized reproduction[125] or even its physical theft.[126] The control of such activities unquestionably comes within legitimate state interest.[127] Similarly, California has a legitimate interest in punishing record and tape piracy, an activity which "might better be described by other terms connoting larceny." [128]

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[123] *E.g.*, N.Y. GEN. BUS. LAW art. 12-E, §224 (McKinney 1968).

[124] *E.g.*, N.Y. PENAL LAW §170.15 (McKinney 1967).

[125] *E.g.*, N.Y. PENAL LAW §165.07 (McKinney 1967).

[126] *E.g.*, N.Y. PENAL LAW §155.30 (McKinney Supp. 1971).

[127] In Watson v. Buck, 313 U.S. 387 (1941), Justice Black, who later wrote the Court's opinions in *Sears* and *Compco*, found that Florida had the power to prohibit an organization of copyright proprietors from setting license fees for the federally copyrighted works of its members. "We are pointed to nothing either in the language of the copyright laws or in the history of their enactment to indicate any congressional purpose to deprive the states, either in whole or in part, of their long-recognized power to regulate combinations in restraint of trade." 313 U.S. at 404. Clearly, if federal copyright law allows states to prohibit anti-competitive conduct in the marketing of federally copyrighted works, a fortiori, states may also prohibit anti-competitive conduct in the marketing of works whose regulation has been left by Congress to the states.

[128] Shapiro, Bernstein & Co. v. Remington Records, Inc., 265 F.2d 263, 269 (2d Cir. 1959) (Chief Justice Burger, then sitting by designation as a Circuit Judge of the Second Circuit).

E. CONCLUSION

The *amicus curiae* respectfully submits that, because there are no persuasive reasons calling for preemption and to the contrary there are particularly strong reasons against it, because Congress has expressly stated its intent not to occupy the field, and because this state statute would complement rather than contravene federal policy favoring the maintenance of the competitive system, the judgment below should be affirmed.

Respectfully submitted,

SIDNEY A. DIAMOND
425 Park Avenue
New York, New York 10022
(212) PL 9-8400

ERNEST S. MEYERS
74 Trinity Place
New York, New York 10006
(212) HA 2-0081

Counsel for Recording Industry Association of America, Inc., Amicus Curiae

KAYE, SCHOLER, FIERMAN,
HAYS & HANDLER
David Goldberg
William M. Borchard
Ronald S. Kadden

LAPORTE & MEYERS
Of Counsel

APPENDIX A

Recording Industry Association of America, Inc., Membership List

A A Records
250 West 57th Street
New York, New York 10019

ABC/Dunhill Records
8255 Beverly Boulevard
Los Angeles, California
90048

ABKCO Records
1700 Broadway
New York, New York 10019

Abnak Music Enterprises
825 Olive at Ross
Dallas, Texas 75201

A & M Records
1416 North La Brea Avenue
Hollywood, California 90028

Ameret Records
1717 North Highland Avenue
Hollywood, California 90028

Ampex
2201 Lunt Avenue
Elk Grove Village,
Illinois 60007

Ansonia Records
802 Columbus Avenue
New York, New York 10025

Atlantic Records
1841 Broadway
New York, New York 10023

Avco Records
1301 Avenue of the Americas
New York, New York 10019

Bee Gee Records
6430 Sunset Boulevard,
Suite 1013
Hollywood, California 90028

Bell Records
1776 Broadway
New York, New York 10019

Black Jazz Records
9255 Sunset Boulevard
Los Angeles, California
90069

Buddah Records
810 Seventh Avenue
New York, New York 10019

Capitol Industries
Hollywood and Vine
Hollywood, California 90028

CBS/Records Group
51 West 52nd Street
New York, New York 10019

Copley Record Productions
P. O. Box 517
Manchester, Pennsylvania
17345

Crescendo Records
9165 Sunset Boulevard
Hollywood, California 90069

Disneyland/Vista Records
800 Sonora Avenue
Glendale, California 91201

Elektra Records
15 Columbus Circle
New York, New York 10023

Famous Music
One Gulf + Western Plaza
New York, New York 10023

Folkways Records
50 West 44th Street
New York, New York 10036

G R T Corp.
1286 Lawrence Station Road
Sunnyvale, California 94086

GSF Productions
888 Seventh Avenue
New York, New York 10019

Icka-Delick-Music & Record
P. O. Box "C"
Chicago Ridge, Illinois 60415

Jamie Records
919 North Broad Street
Philadelphia, Pennsylvania
19123

Kelit Aurora Records
239 West 18th Street
New York, New York 10011

London Records
539 West 25th Street
New York, New York 10001

Longines-Symphonette
Recording Society
200 Myrtle Boulevard
Larchmont, New York

MCA Records
100 Universal City Plaza
Universal City, California
91608

Mercury Records
35 East Wacker Drive
Chicago, Illinois 60601

Metromedia Records
1700 Broadway
New York, New York 10019

MGM Records
7165 Sunset Boulevard
Hollywood, California 90066

Monitor Records
156 Fifth Avenue
New York, New York 10010

Musicor Records
240 West 55th Street
New York, New York 10019

Nashboro Records
1011 Woodland Street
Nashville, Tennessee 37206

Ovation Records
1249 Waukegan Road
Glenview, Illinois 60025

Pickwick International
135 Crossways Park Drive
Woodbury, L.I., N.Y. 11797

Platinum Records (The Music Factory)
567 N. W. 27th Street
Miami, Florida 33127

Poison Ring Records
10 George Street
Wallingford, Connecticut 06492

Polydor Records
1700 Broadway
New York, New York 10019

Project 3 Records
1270 Avenue of the Americas
New York, New York 10020

Ranwood International
9034 Sunset Boulevard
Los Angeles, California 90069

RCA Records
1133 Avenue of the Americas
New York, New York 10036

Request Records
66 Memorial Highway
New Rochelle, New York 10801

Shelby Singleton Productions
3106 Belmont Boulevard
Nashville, Tennessee 37212

Silhouettes in Courage
22 East 40th Street
New York, New York 10016

Starday-King Records
3557 Dickerson Road
P. O. Box 8188
Nashville, Tennessee 37207

Thomas J. Valentino, Inc.
151 West 46th Street
New York, New York 10036

United Artists Records
6920 Sunset Boulevard
Hollywood, California 90028

Vanguard Recording Society
71 West 23rd Street
New York, New York 10010

Vantage Recordings
P. O. Box 212
Pottstown, Pennsylvania 19464

Warner Bros. Records
4000 Warner Boulevard
Burbank, California 91505

Word Records
P. O. Box 1790
4800 W. Waco Drive
Waco, Texas 76710

Young People's Records
225 Park Avenue South
New York, New York 10003

APPENDIX B

Glossary

1. Sound Recording—An intangible work that results from the fixation of a series of musical, spoken or other sounds regardless of the nature of the material object (such as a disc, prerecorded tape, player piano roll or other record) in which the sounds are embodied.

2. Record or tape—The material object in which sounds are fixed by any means and from which the sounds can be perceived, reproduced, or otherwise communicated either directly or with the aid of a machine or device. Records and tapes are the reproductions of sound recordings and include phonograph records (discs) and various configurations of prerecorded magnetic tapes.

3. Phonograph Record—One of the forms in which sound recordings are embodied. Today, phonograph records are flat discs made of various types of vinyl and plastic into which grooves have been pressed. Sounds are reproduced when the phonograph record revolves on a turntable and a stylus passes along the grooves, creating mechanical vibrations within the stylus which are then transformed into electrical impulses, amplified and reproduced audibly through a loudspeaker. Phonograph records are sold commercially as single records and as long-playing records (albums).

4. Single or Singles—A phonograph record consisting of a flat disc 7 inches in diameter, which, when played on a phonograph, revolves at 45 revolutions per minute. Each

side of a single customarily contains a performance of one musical composition and this form of phonograph record today is limited to popular as distinguished from classical music.

5. Long Playing (LP) Record or Album—A phonograph record consisting of a flat disc 12 inches in diameter, which, when played on a phonograph, revolves at 33⅓ revolutions per minute. Each side of an LP or album can carry approximately thirty minutes of recorded sound. An LP or album of popular music usually contains performances of between nine and twelve musical selections and customarily runs twenty minutes on each side.

6. Prerecorded Tape—Another form in which sound recordings are embodied. Electrical impulses are impregnated magnetically within the molecular structure of the tape compound. Sounds are reproduced when the tape moves across a tape head and the electronic signals are picked up, amplified and reproduced audibly through a loudspeaker. Prerecorded tape commonly is sold in three forms: reel-to-reel, cartridges and cassettes.

7. Reel-to-Reel Tape—A prerecorded tape sold commercially in ¼ inch width, wound upon a reel 7 inches in diameter. The tape is played by threading it through a tape recorder so that it runs from the full reel, over the tape head, and on to a take-up reel. The tape moves at a speed of either 3¾ inches per second (i.p.s.) or 7½ i.p.s.

8. Tape Cartridge—A prerecorded tape sold commercially in ½ inch width, packed permanently in a rectangular plastic device. The tape is wound upon a hub

to form a continuous loop so that it can play continuously over and over again without the need to change direction of the tape or to turn the cartridge over. The cartridge is played by inserting it into a playback device, whereupon the tape moves at 3¾ i.p.s. past the tape head. The tape customarily embodies four pairs of individually recorded tracks and the tape head moves into four different positions to play each pair in sequence giving a stereophonic effect.

9. Tape Cassette—A prerecorded tape sold commercially in ⅛ inch width, packed permanently in a rectangular plastic device which is thinner and smaller than a tape cartridge. The tape is not in a continuous loop; rather, it moves from one reel to another within the plastic device and needs rewinding to be played again. The cassette is played by inserting it into a playback device, whereupon the tape moves at 1⅞ i.p.s. past the stationary tape head. Newer cassettes customarily embody four stereophonic tracks, two of which are reproduced when the tape is played moving in one direction and two of which are reproduced when the cassette is turned over and the tape is played moving in the opposite direction.

10. Phonogram—A term which has come into use in international conventions to describe sound recordings regardless of the physical form of the material object in which they are embodied.